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GREAT LAKES POWER CORPORATION LIMITED

1967 Annual Report

GREAT LAKES POWER CORPORATION LIMITED

1967 Annual Report

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GREAT LAKES POWER CORPORATION LIMITED

General Offices:
122 East Street
Sault Ste. Marie, Ontario

Board of Directors

J. B. CRONYN	Toronto
R. L. CURRAN	Sault Ste. Marie
DR. R. L. HEARN	Queenston
W. M. HOGG	Sault Ste. Marie
F. E. HOLLINGSWORTH	Sault Ste. Marie
F. S. HOLLINGSWORTH	Sault Ste. Marie
A. B. McLEAN	Sault Ste. Marie
J. D. McPHAIL	Sault Ste. Marie
J. H. RATCLIFFE	Toronto
J. M. G. SCOTT	Montreal
W. P. SCOTT	Toronto
S. M. WEDD	Toronto

Officers

F. E. HOLLINGSWORTH	Chairman of the Board of Directors
W. M. HOGG	President
F. H. MacKAY	Vice-President - Electrical Operations
J. R. ANDREWS	Vice-President - Finance
C. R. WALTON	Secretary
B. L. CARRUTHERS	Comptroller

Transfer Agent and Registrar

MONTREAL TRUST COMPANY	15 King St. West Toronto, Ontario and 777 Dorchester Blvd. West Place Ville Marie Montreal, Quebec
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Directors' Report

In 1967 your Company delivered 1,171,185,725 kilowatt-hours of electrical energy — 1,099,879,725 kilowatt-hours within its own system, and 71,306,000 kilowatt-hours of exchange energy to Ontario Hydro. The comparable amounts in 1966 were 1,100,635,066 system kilowatt-hours and 26,057,000 exchange kilowatt-hours, a total of 1,126,692,066.

Kilowatt-hour sales within the Company's system, rather than reflecting the normal 6% growth, declined slightly due to down time resulting from labour strikes at several of the Company's major customers. Excess energy during these periods was sold as secondary power to Ontario Hydro.

Operating revenues totalled \$8,275,992 for the year, an increase of \$17,011 over 1966. The energy generated from the Company's stations increased 1% over the previous year.

Operating expenses, including general taxes but excluding depreciation, were up \$154,971 or 6.9%. There were cost increases in purchased power and municipal taxes. Below normal precipitation in the latter part of the summer and early fall of 1967 seriously decreased the inflow into our storages and during November and December the Company was obliged to purchase additional power from Ontario Hydro, thus increasing operating expenses. At the beginning of 1968 water storages were 40% and inflow 60% of normal. This lack of water necessitates the continuing purchase of substantial amounts of power.

After deductions for interest and related charges and provision for depreciation and income taxes, net income for 1967 was \$2,153,243 or \$1.75 per share on 1,232,234 shares. Last year's net was \$2,259,831 or \$1.85 per share on 1,221,467 shares.

The Company will claim for tax purposes capital cost allowances in excess of the depreciation recorded for 1967, which will result in an estimated reduction of \$138,000 in income taxes. This reduction is reflected in the consolidated statement of income in this report and compares with \$151,000 reduction for 1966. The total amount by which income taxes have so been reduced in this and prior years is \$3,483,700.

C U S T O M E R S

Power is being supplied to Abitibi Paper Company, The Algoma Steel Corporation and its Algoma Ore Properties Division, Linde Gases Division of Union Carbide Canada, Mannesmann Tube Company, The Algoma Central Railway, Renabie Mines, Weyerhaeuser Canada and a number of smaller industries and mines. Power is supplied to Ontario Hydro for distribution in the Chapleau area. The City of Sault Ste. Marie is supplied with power for distribution therein and in adjoining areas. Power is retailed by the Company in twenty-six communities and municipalities, including surrounding rural areas.

During the year approximately \$1,281,600 was added to Utility Plant. Additions included power lines, services to new customers and improvements to substation facilities.

Power is being produced in nine hydro-electric generating stations with an aggregate capability of 192,000 kilowatts, all interconnected with 312 miles of transmission lines. The Company sells 12,500 hydraulic horsepower to the Abitibi Paper Company from the power canal at Sault Ste. Marie, Ontario. In addition, electrical energy is available from Ontario Hydro, which is delivered as required over the Company's interconnection with the Hydro System. During 1968 studies and appraisals relating to developments for future load increases and for improvements within the Company's system will continue to be processed.

FINANCIAL

All interest payments and sinking fund provisions of the Company's first mortgage bonds and debentures for the year 1967 have been made. Also, during the year, bonds and debentures were purchased in sufficient amounts to meet in advance \$501,900 of the sinking fund requirements for the year 1968, leaving \$93,000 of the requirements to be met in this year. This requirement was fully discharged on February 1, 1968 by purchase and deposit of the related bonds.

During 1967 purchase warrants and employee options were exercised for 10,617 and 150 common shares respectively. The purchase warrants expired May 15, 1967. At December 31, 1967 there were 1,232,234 common shares outstanding.

Four quarterly dividends of 30c per share were paid during the year, making a total payment of \$1.20 on each share outstanding for the full year.

At the Annual Shareholders Meeting held on April 28, 1967, Mr. J. M. G. Scott was elected to the Board of Directors, replacing Mr. W. P. Wilder who retired.

It is with deep regret that your Directors report the death, on March 19, 1967, of Mr. N. A. Clark, Treasurer of the Company. Mr. Clark is well remembered for his conscientious service of 37 years and he is missed by management and his fellow employees.

Your Board of Directors expresses its thankful appreciation to the employees and officers who have contributed so materially to the accomplishment of the year.

On behalf of the Board of Directors.

F. E. HOLLINGSWORTH, *Chairman.*

W. M. HOGG, *President.*

March 20, 1968.

GREAT LAKES POWER CORPORATION LIMITED AND SUBSIDIARY COMPANY

Consolidated Statement of Income and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31

1967

1966

Operating Revenue		
Electric	\$ 8 213 138	\$ 8 196 127
Hydraulic	62 854	62 854
	<u>8 275 992</u>	<u>8 258 981</u>
Operating Expenses		
Operation	1 018 273	1 041 576
Purchased power	591 630	391 566
Maintenance	495 426	548 720
Depreciation	1 139 365	1 126 499
Taxes, other than income taxes	284 527	253 599
Directors' fees and expenses	14 561	13 985
	<u>3 543 782</u>	<u>3 375 945</u>
Operating Income	4 732 210	4 883 036
Other Income		
Interest	37 764	11 830
Discount on redemption of bonds and debentures	38 127	80 405
Capital gains	—	30 613
Income Available for Interest Charges	4 808 101	5 005 884
Interest Charges		
Interest on long-term debt	824 365	851 517
Amortization of debt discount and expense	29 816	37 047
	<u>854 181</u>	<u>888 564</u>
Interest charged to construction	27 723	3 811
	<u>826 458</u>	<u>884 753</u>
Net Income Before Income Taxes	3 981 643	4 121 131
Provision for Income Taxes (Note 5)	1 828 400	1 861 300
NET INCOME	2 153 243	2 259 831
 Retained Earnings at Beginning of Year	 13 132 797	 12 328 546
Contributions in aid of construction	29 721	6 535
	<u>15 315 761</u>	<u>14 594 912</u>
Dividends declared and paid	1 476 759	1 462 115
RETAINED EARNINGS AT END OF YEAR	\$13 839 002	\$13 132 797

Consolidated Balance Sheet AS AT DECEMBER 31, 1967

ASSETS	1967	1966
Utility Plant		
Stated on the basis of fair value of \$22,200,000 as at December 31, 1949 of property acquired as an entirety as appraised by H. G. Acres & Company, consulting engineers, plus subsequent additions at cost, less retirements	\$57 349 202	\$56 216 793
Accumulated depreciation (Note 1)	13 768 981	12 708 577
	<u>43 580 221</u>	<u>43 508 216</u>
Current Assets		
Cash	593 866	471 533
Short-term investments at cost, which approximates market	125 000	—
Accounts receivable	814 248	809 794
Materials and supplies, valued at average cost	211 574	204 028
Prepayments	71 053	10 179
	<u>1 815 741</u>	<u>1 495 534</u>
Other Assets		
Special refundable tax	106 820	87 040
Unamortized debt discount and expense	171 515	201 331
	<u>278 335</u>	<u>288 371</u>
	<u><u>\$45 674 297</u></u>	<u><u>\$45 292 121</u></u>

Signed on behalf of the Board:

W. P. SCOTT, *Director*.

W. M. HOGG, *Director*.

AUDITORS' REPORT

We have examined the consolidated balance sheet of G and its subsidiary, Great Lakes Power Company, Limited a and retained earnings and cash flow for the year then ende procedures and such tests of accounting records and other stances.

In our opinion these consolidated financial statement subsidiary as at December 31, 1967 and the results of thei year then ended, in accordance with generally accepted a preceding year.

Toronto 1, Ontario,
January 26, 1968.

GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY

LIABILITIES	1967	1966
Capitalization		
Common shares (Note 3)		
Authorized		
2,500,000 shares without par value		
Issued		
1,232,234 shares in 1967; 1,221,467 shares in 1966	\$ 4 026 478	\$ 3 891 646
Retained earnings per accompanying statement	13 839 002	13 132 797
Excess of appraised value of utility plant assets over cost as at		
December 31, 1949, less subsequent retirements	8 742 774	8 771 331
Common share equity	<u>26 608 254</u>	<u>25 795 774</u>
Preference shares		
120,000 shares of \$25 par value each, issuable in one or more series		
Long-term debt (Note 4)	17 711 000	18 300 000
Total Capitalization	<u>44 319 254</u>	<u>44 095 774</u>
Current Liabilities		
Accounts payable and accrued	764 054	473 051
Income taxes	551 897	689,804
Customers' deposits	39 092	33 492
	<u>1 355 043</u>	<u>1 196 347</u>
	<u>\$45 674 297</u>	<u>\$45 292 121</u>

THE SHAREHOLDERS

Lakes Power Corporation Limited (an Ontario Corporation)
December 31, 1967 and the consolidated statements of income
our examination included a general review of the accounting
supporting evidence as we considered necessary in the circum-

sent fairly the financial position of the corporation and its
operations and the source and disposition of their cash for the
auditing principles applied on a basis consistent with that of the

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants

Notes to Consolidated Financial Statements

GREAT LAKES POWER CORPORATION LIMITED AND SUBSIDIARY COMPANY

FOR THE YEAR ENDED DECEMBER 31, 1967

1. The utility plant, excluding the appraisal increment thereon and non-depreciable assets, is being depreciated on a straight-line basis over the estimated useful life of the plant.
2. There is approximately \$1,536,000 of capital expenditures to be made in 1968 to complete construction in progress at December 31, 1967.
3. The changes during the year in the common shares reserved for options and warrants are as follows:

Shares Reserved Dec. 31, 1966	Price Per Share	Shares Issued		Cancelled	Shares Reserved Dec. 31, 1967	Expiry Date
		Number	Proceeds			
Employee Options						
9 950	\$21.60	150	\$ 3 240	300	9 500	Dec. 3, 1973
500	19.80	—	—	—	500	Dec. 13, 1976
<u>10 450</u>					<u>10 000</u>	
Warrants						
13 510	12.40	10 617	131 593(a)	2 893	—	
<u>23 960</u>		<u>10 767</u>	<u>\$134 833</u>	<u>3 193</u>	<u>10 000</u>	

(a) Proceeds were reduced by cash payments for eleven ½ shares on conversions.

4. Long-term debt consists of the following:

Long-term debt consists of the following:	Year of Maturity	Balance as at December 31	
		1967	1966
First Mortgage Twenty-Year Sinking Fund Bonds (authorized \$15,000,000)			
3½ % , Series A	1969	\$ 4 200 000	\$ 4 400 000
4¾ % , Series B	1972	945 000	982 000
5 % , Series C	1973	1 466 000	1 522 000
4½ % , Series D	1976	3 300 000	3 400 000
Twenty-Year Sinking Fund Debentures			
4¼ % , 1955 Series	1975	3 550 000	3 646 000
5¾ % , 1957 Series	1977	4 250 000	4 350 000
		<u>\$17 711 000</u>	<u>\$18 300 000</u>

The corporation purchased and retired, during 1967, bonds and debentures in excess of the amounts required under the Deed of Trust and Mortgage. Accordingly the payments required to 1972 under the Deed for sinking fund purposes, including redemption of the 3½% Series A bonds in 1969 and the 4¾% Series B bonds in 1972, are as follows:

1968	\$ 93 000*	1970	\$ 393 500
1969	4 593 600	1971	393 400
* Excluded from current liabilities		1972	1 153 300

Debt discount and expense is amortized over the term of the issue, adjusted for annual retirements.

5. As it is the corporation's intention to claim for income tax purposes capital cost allowances in excess of the depreciation recorded in the accounts, the 1967 provision for income taxes is \$138,000 less than would otherwise have been provided. The accumulated amount by which income taxes have been so reduced in this and prior years is \$3,483,700.
6. The aggregate direct remuneration paid to directors and senior officers amounted to \$112,250.

Consolidated Statement of Cash Flow

GREAT LAKES POWER CORPORATION LIMITED AND SUBSIDIARY COMPANY

FOR THE YEAR ENDED DECEMBER 31

	1967	1966
Cash at Beginning of Year	\$ 471 533	\$ 130 223
Source		
From operations —		
Net income for the year	2 153 243	2 259 831
Depreciation on utility plant	1 139 365	1 126 499
Amortization of debt discount and expense	29 816	37 047
Capital gains	—	(20 466)
	3 322 424	3 402 911
Proceeds from shares issued	134 833	136 766
Proceeds from utility plant retirements	41 708	57 325
Contributions in aid of construction	29 721	6 535
	3 528 686	3 603 537
Disposition		
Payment of dividends	1 476 759	1 462 115
Retirement of long-term debt	589 000	1 025 000
Additions to utility plant	1 281 636	626 900
Special refundable tax	19 780	87 040
Reduction (increase) in current liabilities	(158 696)	3 942
Increase in current assets other than cash	197 874	57 230
	3 406 353	3 262 227
Cash at End of Year	\$ 593 866	\$ 471 533

Comparative Statistical Data

	1967	1966	1965	1964
Number of communities served — retail electricity	26	26	26	26
† Total population served with electricity — retail	19 365	19 170	19 020	18 830
* Number of residential electric customers	6 093	5 966	5 763	5 588
* Number of electric customers other than residential	617	554	525	505
Electric sales — kilowatt-hours (000 omitted)	1 171 186	1 126 692	1 120 900	956 925
Capability of hydro-electric stations — kilowatts	192 000	192 000	192 000	175 800
Number of hydro-electric stations	9	9	9	8
Pole miles of transmission and distribution line includ- ing 24.0 miles of line operated but not owned since 1966	1 169	1 146	1 161	1 122

†—Exclusive of an estimated population of 75,700 served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area at close of year 1967.

*—Adjusted to show customers at close of each year. Exclusive of 19,391 residential and 2,656 other electric customers served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area at close of year 1967.

Ten Years in Review

	1967	1966	1965
CONSOLIDATED INCOME DATA			
Operating Revenue	\$ 8 275 992	\$ 8 258 981	\$ 7 805 984
Depreciation	1 139 365	1 126 499	1 065 656
Interest on Long-Term Debt	824 365	851 517	892 688
Provision for Income Taxes	1 828 400	1 861 300	1 709 500
Net Income	2 153 243	2 259 831	2 172 440
Dividends Paid — Preference Stock	—	—	—
Number of Common Shares Issued at Year End	1 232 234	1 221 467	1 211 977
Earnings Per Share — Common Stock	\$ 1.75	\$ 1.85	\$ 1.79
Paid Per Share — Common Stock	1.20	1.20	1.15
CONSOLIDATED BALANCE SHEET DATA			
Utility Plant	\$57 349 202	\$56 216 793	\$55 777 715
Accumulated Depreciation	13 768 981	12 708 577	11 671 722
Per Cent Depreciation to Utility Plant	24.0	22.6	20.9
Capitalization			
Long-term debt	\$17 711 000	\$18 300 000	\$19 325 000
Preference stock	—	—	—
Common stock equity	26 608 254	25 795 774	24 895 610
Total Capitalization	\$44 319 254	\$44 095 774	\$44 220 610
Capitalization Ratio — %			
Long-term debt	40.0	41.5	43.7
Preference stock	—	—	—
Common stock equity	60.0	58.5	56.3
Per Cent Long-Term Debt to Net Utility Plant	40.6	42.1	43.8
Common Stock Equity — Per Share at End of Year	\$ 21.59	\$ 21.12	\$ 20.54
KILOWATT-HOURS SOLD IN MILLIONS	1 171	1 127	1 121

**GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY**

1964	1963	1962	1961	1960	1959	1958
\$ 7 049 848	\$ 6 463 796	\$ 6 250 689	\$ 5 729 411	\$ 5 187 083	\$ 5 112 638	\$ 4 002 325
1 009 667	988 290	964 650	951 799	938 793	825 614	651 483
922 630	938 423	966 254	989 797	1 006 256	1 026 963	1 041 246
1 461 100	1 204 400	1 177 300	883 000	657 400	598 700	157 400
2 162 929	1 839 240	1 674 588	1 409 888	1 290 158	1 502 020	1 387 486
—	—	—	45 038	91 123	92 528	92 528
1 188 696	1 173 216	1 112 803	1 052 037	1 020 987	1 016 100	1 000 000
\$ 1.82	\$ 1.57	\$ 1.50	\$ 1.30	\$ 1.17	\$ 1.39	\$ 1.29
.92½	.82½	.80	.47½	—	—	—
\$55 194 945	\$52 875 894	\$49 708 260	\$49 253 095	\$48 861 384	\$48 300 278	\$46 984 949
10 794 819	9 861 726	8 894 143	7 993 124	7 088 008	6 181 868	5 402 107
19.6	18.7	17.9	16.2	14.5	12.8	11.5
\$19 990 000	\$20 583 000	\$20 976 000	\$21 719 000	\$22 162 000	\$22 555 000	\$22 898 000
—	—	—	—	1 813 075	1 850 575	1 850 575
23 901 808	22 676 132	20 917 492	19 615 984	18 532 818	17 282 357	15 692 476
\$43 891 808	\$43 259 132	\$41 893 492	\$41 334 984	\$42 507 893	\$41 687 932	\$40 441 051
45.5	47.6	50.1	52.5	52.1	54.1	56.6
—	—	—	—	4.3	4.4	4.6
54.5	52.4	49.9	47.5	43.6	41.5	38.8
45.0	47.9	51.4	52.6	53.1	53.6	55.1
\$ 20.11	\$ 19.33	\$ 18.80	\$ 18.65	\$ 18.15	\$ 17.01	\$ 15.69
957	869	908	847	721	719	638

GREAT LAKES POWER
CORPORATION LIMITED
AND SUBSIDIARY COMPANY

INCOME STATEMENT

1958 - 1967

IN MILLIONS OF DOLLARS

Total Income	
Income Available For Interest Charges	
Net Income Before Income Taxes ..	
Net Income	





